MetLife Investment Management



PRIVATE FIXED INCOME | Q3 2026

Investment Grade Private Credit Quarterly Review and Outlook

Introduction

Investment Grade Private Credit markets remained active through 2026, with strong issuance despite a higher interest rate environment. Investor demand remained resilient, supported by attractive yields, spread premiums relative to public markets and expanding opportunity sets across sectors and geographies. Looking ahead, healthy origination pipelines, growing demand for financing solutions and continued focus on credit quality and structural protections are expected to support activity across private markets into 2027.

Private Corporate Credit

Market Activity

- Year-to-date issuance reached $160 billion, putting the market on track to exceed 2025's record volumes, supported by refinancing needs, capital investment and demand for diversified financing solutions.
- The 10-year Treasury ended Q3 at 5.29%, up 113 bps year-over-year, driving all-in coupons to their highest levels in nearly two decades.
- Despite periodic volatility, the market remained resilient, supported by increasing cross-border issuance and broader international investor participation.

MIM YTD Investment Activity

- MIM closed 141 corporate transactions totaling $7.7 billion at an average spread of +148 bps, with origination volume up 65% year-over-year.
- Investments had a 10.4-year weighted average life, 5.92% average coupon and an average rating of MA3.
- Activity spanned 15 sectors, led by Financials, while 65% of Q3 volume was invested in transactions with maturities of 7 years or less.

Market Outlook

- Healthy investor demand and a meaningful spread premium versus public bonds are expected to support strong deal flow through 2027.
- Competition may continue to influence pricing, but private credit continues to offer incremental yield, structural protections and diversification benefits.
- MIM's broad platform and direct origination capabilities help identify potentially attractive opportunities, strong covenants and security features that can help mitigate downside risk.

Asset-Based Finance

Market Activity

- Public ABS issuance is up ~9% year-over-year, with full-year volume projected at $368 billion versus $337 billion in 2025, while esoteric sectors are growing faster than consumer ABS.
- Private consumer ABF issuance remains robust, driven by bank sales of near-prime auto portfolios and multibillion-dollar forward-flow commitments across auto, home improvement and unsecured consumer loans.
- Issuance across non-agency RMBS, private CMBS and fund finance remains healthy as investors seek financing and liquidity solutions in evolving market conditions.

MIM YTD Investment Activity

- MIM closed 38 transactions totaling $6.06 billion at an average spread of +235 bps, with origination volume up 68% year-over-year.
- Investments carried a 5.6-year weighted average life, 6.5% average coupon, and an average rating of MA1.
- The team remains focused on well-collateralized transactions, strong structural protections and partnerships with experienced, repeat sponsors.

Market Outlook

- Supply is expected to remain elevated, though growth may moderate as higher rates pressure lending activity and securitization economics; the 2-year Treasury has risen 55 bps to 4.9%.
- Private warehouses and forward-flow structures are likely to play a larger role as issuers seek alternatives to more challenging public market execution.
- Despite rate volatility, issuance remains above historical averages and ABS spreads are at their tightest levels since January 2022, supporting continued investor interest in private ABF.

Infrastructure Debt

Market Activity

- Market issuance is up nearly 50% year-over-year, with activity broad-based across regions and sectors despite higher interest rates and limited long-duration supply.
- Strong M&A activity and a backlog of pending transactions are expected to drive acquisition financings, recapitalizations, bridge loans and refinancing opportunities.
- Demand for digital infrastructure and power-related assets continues to support deal flow, with activity spanning data centers, utilities, transmission and contracted power generation.

MIM YTD Investment Activity

- MIM closed 62 transactions totaling $5.1 billion at an average spread of +182 bps, with transaction volume increasing more than 50% year-over-year.
- Investments had an 11.9-year weighted average life, 6.29% average coupon and an average rating of MBaa2.
- More than 50% of investments were outside the U.S., with diversified exposure across utilities, transportation, energy, renewables and digital infrastructure.

Market Outlook

- Higher rates are expected to persist, leading issuers to favor shorter tenors, delayed-draw structures and flexible call protection.
- Assets with resilient cash flows and strong contractual frameworks remain best positioned to attract capital, particularly in digital and renewable infrastructure.
- While investor demand for long-dated infrastructure debt remains strong, regional pricing differences and competitive conditions will require selectivity and disciplined underwriting.

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